

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Periodic Reporting
(Proposal Four)

Docket No. RM2016-12

PARCEL SHIPPERS ASSOCIATION COMMENTS ON THE RULEMAKING ON
ANALYTICAL PRINCIPLES
USED IN PERIODIC REPORTING
(PROPOSAL FOUR)

(October 17, 2016)

The Parcel Shippers Association (PSA) respectfully submits these comments in response to Order No. 3482.¹ We appreciate the Postal Service's efforts to improve the accuracy of the cost attribution method for purchased highway transportation costs (Proposal Four) by replacing the assumption that purchased transportation capacity varies in direct proportion with volume with an empirical estimate of this relationship.

With respect to this proposal, PSA concurs with the Commission and the Postal Service that:

[I]t [is] beneficial...to investigate the validity of the current assumption that purchased highway transportation capacity varies in direct proportion to piece volume. If this assumption is inaccurate, it will yield a biased estimate of product attributable costs for highway transportation.

Order No. 1626, Order Setting Near-Term Priorities and Requesting Related Reports, Docket No. RM2011-3, Jan. 18, 2013 at 6-7.

¹ Order No. 3482, Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Four), August 24, 2016.

PSA has not reviewed the details of the econometric study prepared by Dr. Bradley in support of this proposal, but the study's finding² that the variability of purchased highway transportation capacity with respect to volume is less than 100 percent makes a great deal of sense viewed from an operational standpoint.

Regardless of whether they are full, trucks must often be dispatched to meet operating windows at destination facilities and service commitments. This fact gives rise to a less-than-proportional response of transportation capacity to changes in volume.

We thus encourage the Commission to thoroughly evaluate Dr. Bradley's study and, if found to be reliable, approve Proposal Four.

Respectfully Submitted,

/S/

Pierce Myers
Executive Vice President & Counsel
PARCEL SHIPPERS
ASSOCIATION
320 South West Street STE 110
Alexandria, Virginia 22314
(703) 627-5112
pierce@parcelshippers.org

² See Research on Estimating the Variability of Purchased Highway Transportation Capacity with Respect to Volume, August 22, 2016, at 32 (Table 14).